



**CommonWealth One**  
Federal Credit Union

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President/CEO

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April 3, 2009

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

**Re: Advanced Notice of Proposed Rulemaking (ANPR) to 12 CFR Part 704  
regarding Corporate Credit Unions**

Dear Ms. Rupp,

I am writing on behalf of the Board and Staff of CommonWealth One Federal Credit Union, Alexandria, VA. CommonWealth One Federal Credit Union (COFCU) serves over 39,000 members throughout Northern Virginia, the District of Columbia and Maryland. COFCU has a proud legacy of providing high quality, competitive financial services to our members throughout our 65 years in business. We are a multiple group credit union and in addition provide financial services and financial education to underserved communities in the District of Columbia, Alexandria, City of Harrisonburg and Clarke and Warren Counties in Virginia.

#### **Background**

Throughout our history, CommonWealth One FCU has utilized many of the services of both the Virginia Corporate Credit Union (VACORP) and US Central Corporate.

We have followed the events of the Cap Corp failure and out of concern for our growing overnight deposit base and certificate investments with VACORP and their uninsured status, we diversified and opened membership in Members United and Mid Atlantic Corporate Credit Unions. We chose these two corporates based on their financial performance at the time and the fact that we could participate in their investment services without the need to invest in member capital shares.

Over the years, as COFCU continued to grow and other avenues became available to meet our liquidity, investment and settlement needs, we have retracted some of our business from the Corporate Credit Unions.

At present, COFCU maintains it's primary corporate checking and settlement account, overnight funds, certificate investments and a line of credit with VACORP. In addition, we maintain limited deposits in overnight funds with Mid Atlantic and Members United along with certificate investments in these two Corporates. The services of US Central are used for the safekeeping of credit union investments and foreign item collections and wires.

### **Structure of the Corporate System**

We believe that the time has come to reassess the value and risks associated with the two tier corporate system. US Central's role has become much less clear as retail corporates have begun to expand their investment authority. Additionally, we think there is room for consolidation of smaller corporates, many of which serve as pass throughs to US Central.

Any restructuring of the Corporate system should maintain open fields of membership. We believe that competition between the Corporates is a good thing for members, much the same as competition between credit unions with overlapping fields of membership. However, to avoid undue risk to members, tighter regulation is in order if fields of membership remain open.

### **Liquidity and Investment Authority**

In order to solve their liquidity needs and best serve natural person credit unions, Corporates should have the ability to invest in securities which may not be available to natural person credit unions.

With this expanded authority however Corporates should meet certain requirements including the establishment of a risk based capital system and a more equitable (as compared to natural person credit unions) NCUSIF premium tied to insuring the risk beyond just insured share deposits. It is inconceivable to me that a complex, natural person credit union is required to maintain capital of 7% or greater to avoid PCA while Corporates with "complex" investments are regulated to 2% (US Central) and 4% (Retail Corporates).

Recent events (conservatorship of US Central and WesCorp) raise concerns with regards to member paid in capital. Large credit unions have already moved many of their relationships out of the Corporates due to the combined risk of their uninsured shares and potential loss or write down of their member paid in capital. NCUA should give consideration to developing a system for limiting a credit union's investment in paid in capital while affording the credit union the ability to enjoy membership in multiple Corporates). Unless this can be done, we believe that the larger credit unions will find other avenues to meet liquidity, settlement and investment needs that offer far less exposure.

### **Corporate Governance**

We see no reason why the current volunteer Board structure that is in place for natural person credit unions would not work for Corporates. As with most natural person credit unions, Board members should be required to meet minimum qualifications and should participate in ongoing educational programs. Rather than requiring Directors to come from outside the industry, allow for the Corporates (Board and Management team) to hire the expertise as required.

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**Conclusion**

Over the years, COFCU has sought to give back to our industry through investments in our corporate system. A healthy corporate structure provides solutions for small to midsize credit unions while enabling larger credit unions to diversify investments and to secure additional sources of liquidity.

Thank you for allowing the opportunity to comment.

Sincerely,



John R. Blair Jr.  
President/CEO  
CommonWealth One FCU

cc: Chairman Michael Fryzel, NCUA  
Vice Chairman, Rodney Hood, NCUA  
Board Member Gigi Hyland, NCUA  
Board of Directors, CommonWealth One Federal Credit Union